



VAN BUREN DISTRICT LIBRARY

FINANCIAL STATEMENTS WITH SUPPLEMENTAL INFORMATION

For the Year Ended December 31, 2008

LIBRARY BOARD MEMBERS

<u>Board Position</u>	<u>Official</u>	<u>Term Expires</u>
Chairperson	Marianne Abbott	12/31/2011
Vice Chairperson	Wayne Rendell	12/31/2011
Trustee	Phillip Marshall	12/31/2009
Trustee	Sandra Hanson	12/31/2009
Trustee	Arlen Winther	12/31/2010
Trustee	Beverly McLarty	12/31/2010
Trustee	Joe Miller	12/31/2012
Trustee	Pamela Potts	12/31/2012

LIBRARY DIRECTOR

David Tate

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Van Buren District Library

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren District Library (the "Library"), as of and for the year ended December 31, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Van Buren District Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren District Library as of December 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, Van Buren District Library has implemented a new financial reporting model, as required by Government Accounting Standards Board No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as of December 31, 2008.

The management's discussion and analysis and budgetary comparison information on pages 2 through 5 and pages 18 and 19 are not a required part of the basic financial statements but are supplemental information required by accounting principals generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Van Buren District Library's basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Schaffer & Layher, PLLC
January 30, 2009

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

As management of the Van Buren District Library (the "Library"), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the year ended December 31, 2008.

FINANCIAL HIGHLIGHTS

- ✓ The assets of the library exceeded its liabilities at the close of the most recent year by \$1,503,656, and of this amount, \$1,248,925 is unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors.
- ✓ The library's total net assets increased by \$323,388 for 2008.
- ✓ As of the close of the current year, the Library's governmental funds reported an ending fund balance of \$1,410,174. For this year, revenues exceeded expenditures by \$129,678. All is available for spending, with some board designations that can be changed.
- ✓ Unreserved fund balance for the general fund was \$938,501 or 51.8% of the total general fund expenditures for 2008.

OVERVIEW OF FINANCIAL STATEMENT

This annual report consists of three parts – *management's discussion and analysis (this section)*, *the basic financial statements*, and *required supplementary information*. The basic financial statements include information that presents two different views of the library:

- The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Library's operations in more detail than the government-wide financial statements by providing information about the Library's most significant funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *library as a whole financial statement* column provides both *long-term* and *short-term* information about the Library's overall financial status. The statement of net assets and the statement of net activities provide information about the activities of the Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

Fund Financial Statements

The fund level financial statements are reported on a modified accrual basis. Only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

The fund statements are formatted to comply with the legal requirements of the Michigan Department of Treasury’s “Uniform Reporting’s Format for Financial Statements for Counties and Local Units of Government in Michigan”. In the State of Michigan, the Library’s major activities are reported in the General Fund. Additional activities are reported in their relevant funds including: Special Revenue and Permanent Funds.

In the fund financial statements, capital assets purchased by cash are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year’s payments of principal and interest on long term obligations are recorded as expenditures. Future year’s debt obligations are not recorded.

Government - Wide Financial Statements

The government-wide financial statements are full accrual basis statements. They report all of the Library’s assets and liabilities, both short and long term, regardless if they are “currently available” or not. Capital assets and long-term obligations of the Library are reported in the Statement of Net Assets of the government - wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of the government's financial position. In the case of the Library, assets exceeded liabilities by \$1,503,656 at the close of the most recent year. The largest portions of the Library's net assets are reflected as unrestricted. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. The following table compares key financial information in a condensed format:

	<u>2008</u>
Current assets	\$ 2,725,004
Capital assets, net	254,731
Total Assets	\$ 2,979,735
Current liabilities	\$ 38,830
Deferred Revenue	\$ 1,276,000
Compensated absences	161,249
Total Liabilities	\$ 1,476,079
Net Assets	
Invested in capital assets, net of related debt	\$ 254,731
Unrestricted	1,248,925
Total Net Assets	\$ 1,503,656
Total Liabilities and Net Assets	\$ 2,979,735
Revenues:	
Taxes	\$ 1,102,699
Other	839,163
Total Revenues	\$ 1,941,862
Expenses-Library services	1,618,474
Change in Net Assets	\$ 323,388

The unrestricted net assets of \$1,248,925 may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current year, the Library is able to report positive balances in both categories of net assets for its governmental activities.

The Library's net assets show an increase of \$323,388, due to continued efforts to monitor costs, as revenues sources decline.

GOVERNMENTAL FUND ANALYSIS

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, the Library's governmental funds reported ending fund balance of \$1,410,174, an increase of \$129,678. All of the fund balance constitutes *unreserved fund balance*, which is available for spending at the government's discretion.

LIBRARY BUDGETARY HIGHLIGHTS

The following significant differences between the original budget and the final amended budget in the general fund are as follows:

Final budgeted revenues increased over original by \$145,990 as taxes and other local dollars came in higher than expected.

Final budgeted expenses increased over original by \$147,990 attributable to higher salaries, employee benefits, and interest fees than originally expected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

During the current year, the Library invested in capital assets for its governmental activities of \$213,656 (before depreciation). This investment includes capital assets, including library books, audio, furniture, and vehicles. The Library expects that additions for 2009 will be the same or slightly higher than 2008, as a new branch will be opened in Covert.

ECONOMIC FACTORS AND NEXT YEARS BUDGETS AND RATES

The Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has a conservative and financially prudent budget for the 2009 calendar year that will promote several of the Library's activities and programs.

COMPARATIVE INFORMATION

The financial report does not show any comparative data because the current year was the first year of adopting G.A.S.B. 34 reporting. Next year the Library expects to present full comparative statements.

CONTACTING THE LIBRARY'S MANAGEMENT

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Van Buren District Library, 200 N. Phelps Street; Decatur, MI 49045.

INDIVIDUAL FUND BALANCE SHEETS/STATEMENT OF NET ASSETS
December 31, 2008

	<u>Individual Library Funds</u>						<u>Library as a Whole</u>
		<u>Penal Fine Stabilization</u>		<u>Other Nonmajor</u>		<u>GASB No. 34</u>	<u>Statement of Activities-Full</u>
	<u>General</u>	<u>Fund</u>	<u>Automation Fund</u>	<u>Governmental Funds</u>	<u>Total-Modified Accrual Basis</u>	<u>Adjustments</u>	<u>Accrual Basis</u>
Assets							
Cash	\$ 977,331	\$ 200,000	\$ 136,215	\$ 123,160	\$ 1,436,706	\$ -	\$ 1,436,706
Investments	-	-	-	12,298	12,298	-	12,298
Taxes receivable	1,276,000	-	-	-	1,276,000	-	1,276,000
Capital assets, net	-	-	-	-	-	254,731	254,731
Total Assets	\$ 2,253,331	\$ 200,000	\$ 136,215	\$ 135,458	\$ 2,725,004	\$ 254,731	\$ 2,979,735
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 1,430	\$ -	\$ -	\$ -	\$ 1,430	\$ -	\$ 1,430
Accrued salaries and withholdings	37,400	-	-	-	37,400	-	37,400
Deferred revenue	1,276,000	-	-	-	1,276,000	-	1,276,000
Compensated absences:							
Due within one year	-	-	-	-	-	-	-
Due in more than one year	-	-	-	-	-	161,249	161,249
Total Liabilities	\$ 1,314,830	\$ -	\$ -	\$ -	\$ 1,314,830	\$ 161,249	\$ 1,476,079
Fund Balances							
Unreserved and undesignated	838,501	200,000	136,215	30,696	1,205,412	(1,205,412)	-
Designated for capital improvement	100,000	-	-	-	100,000	(100,000)	-
Restricted for endowment	-	-	-	104,762	104,762	(104,762)	-
Total Fund Balances	\$ 938,501	\$ 200,000	\$ 136,215	\$ 135,458	\$ 1,410,174	\$ (1,410,174)	\$ -
Total Liabilities and Fund Balances	\$ 2,253,331	\$ 200,000	\$ 136,215	\$ 135,458	\$ 2,725,004		
Net Assets							
Invested in capital assets - net of related debt						254,731	254,731
Unrestricted						1,248,925	1,248,925
Total Net Assets						\$ 1,503,656	\$ 1,503,656

The notes to financial statements are an integral part of this statement.

INDIVIDUAL FUNDS STATEMENTS OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES
For the year ended December 31, 2008

	Individual Library Funds				Total-Modified Accrual Basis	GASB No. 34 Adjustments	Library as a Whole Statement of Activities-Full Accrual Basis
	General	Penal Fine Stabilization Fund	Automation Fund	Other Nonmajor Governmental Funds			
Revenues:							
Taxes	\$ 1,102,699	\$ -	\$ -	\$ -	\$ 1,102,699	\$ -	\$ 1,102,699
State sources	230,736	-	-	-	230,736	-	230,736
Penal fines	215,506	-	-	-	215,506	-	215,506
Fees and book fines	22,428	-	-	-	22,428	-	22,428
Investment income	45,422	8,019	4,540	3,802	61,783	-	61,783
Local contributions and other	299,808	-	-	8,902	308,710	-	308,710
	<u>\$ 1,916,599</u>	<u>\$ 8,019</u>	<u>\$ 4,540</u>	<u>\$ 12,704</u>	<u>\$ 1,941,862</u>	<u>\$ -</u>	<u>\$ 1,941,862</u>
Expenditures:							
Salaries	\$ 871,352	\$ -	\$ -	\$ -	\$ 871,352	\$ (22,592)	\$ 848,760
Payroll taxes	68,940	-	-	-	68,940	-	68,940
Insurance (health, life, disability, w/c)	98,363	-	-	-	98,363	-	98,363
Pension contributions	111,735	-	-	-	111,735	-	111,735
Office and library supplies	8,733	-	-	-	8,733	-	8,733
Postage, printing, copying	19,375	-	-	-	19,375	-	19,375
Gas and oil	3,609	-	-	-	3,609	-	3,609
Janitor supplies	2,960	-	-	-	2,960	-	2,960
Professional fees	9,338	-	-	-	9,338	-	9,338
Dues and subscriptions	2,299	-	-	-	2,299	-	2,299
Contractual services	31,039	-	-	-	31,039	-	31,039
Utilities	58,271	-	-	-	58,271	-	58,271
Telephone	6,290	-	-	-	6,290	-	6,290
Travel	5,701	-	-	-	5,701	-	5,701
Promotional and reading programs	12,543	-	-	-	12,543	-	12,543
General and vehicle insurance	9,770	-	-	-	9,770	-	9,770
Maintenance	46,036	-	-	-	46,036	-	46,036
Continuing education	1,939	-	-	-	1,939	-	1,939
Capital outlay	52,814	-	-	-	52,814	(15,636)	37,178
Audiovisual , book, and periodicals	198,020	-	-	-	198,020	(198,020)	-
Internet fees	22,772	-	-	-	22,772	-	22,772
Miscellaneous	(1,126)	-	-	-	(1,126)	-	(1,126)
Grant expense	171,411	-	-	-	171,411	-	171,411
Depreciation	-	-	-	-	-	42,538	42,538
Total expenditures	<u>\$ 1,812,184</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,812,184</u>	<u>\$ (193,710)</u>	<u>\$ 1,618,474</u>
Excess of revenues over expenditures	<u>\$ 104,415</u>	<u>\$ 8,019</u>	<u>\$ 4,540</u>	<u>\$ 12,704</u>	<u>\$ 129,678</u>	<u>\$ 193,710</u>	<u>\$ 323,388</u>
Other Financing Sources(Uses)							
Operating transfers in	\$ 10,302	\$ -	\$ 5,000	\$ 4,000	\$ 19,302	\$ (19,302)	\$ -
Operating transfer out	(9,000)	(8,019)	-	(2,283)	(19,302)	19,302	-
Total Other Financing Sources(Uses)	<u>\$ 1,302</u>	<u>\$ (8,019)</u>	<u>\$ 5,000</u>	<u>\$ 1,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Change In Fund Balances	<u>\$ 105,717</u>	<u>\$ -</u>	<u>\$ 9,540</u>	<u>\$ 14,421</u>	<u>\$ 129,678</u>	<u>\$ 193,710</u>	<u>\$ 323,388</u>
Fund Balance/Net Assets-Beginning of Year	868,784	200,000	126,675	121,037	1,316,496	(136,228)	1,180,268
Prior Period Adjustment	(36,000)	-	-	-	(36,000)	36,000	-
Fund Balance/Net Assets-End of Year	<u><u>\$ 938,501</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 136,215</u></u>	<u><u>\$ 135,458</u></u>	<u><u>\$ 1,410,174</u></u>	<u><u>\$ 93,482</u></u>	<u><u>\$ 1,503,656</u></u>

The notes to financial statements are an integral part of this statement.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Van Buren District Library (the “Library”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies:

The Library has implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (“GASB 34”). The Statements include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the Library’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Library’s activities.
- A change in the fund financial statements to focus on the major funds.

Reporting Entity

The Library is located in the Village of Decatur, Michigan and is governed by an eight (8) member board. The Library is primarily funded through a tax levy, fines, fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting entity. These criteria include oversight responsibility, scope of public service and special financing relationships. The Library is a District Library formed pursuant to the District Library Establishment Act (1989 Public Act 24) by an agreement between the Townships of Decatur, Antwerp, Covert, Lawrence, the Cities of Gobles and Bangor, the Village of Bloomingdale and the County of Van Buren. Based on the significance of any operational or financial relations with the Library, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Library’s basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library’s major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes, grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Government-wide Financial Statements, Concluded**

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library's net assets are reported in three parts: invested in capital assets-net of related debt; restricted net assets; and unrestricted net assets.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

The Library's individual fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual – that is, when they become both measurable and available to finance expenditures of the fiscal period. All other revenue items are considered to be available only when cash is received by the Library.

The Library reports the following major governmental funds:

General Fund - The Library's primary operating fund. It accounts for all financial resources of the library operations, except those required to be accounted for in another fund.

Penal Fine Stabilization Fund – Designated by the Board to maintain one year of revenues.

Automation Fund – Designated by the Board for future automation purposes.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The Library has the following:

Vehicle Replacement Fund – Designated by the Board for future vehicle purchases.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Fund Financial Statements, Concluded**

Permanent Funds –The Endowment fund is used to account for the Library’s non-expendable endowment where only the earnings are used to fund current operations.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private sector standards issued after November 30, 1989 for its full accrual presentation.

Assets, Liabilities, and Net Assets or Equity

Fund Equity — in the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Comparative Data — Comparative data is not included in the district’s financial statements.

Accounting Change Effective January 1, 2008, the Library implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (“GASB 34”). Changes to the Library's financial statements as a result of GASB 34 are as follows:

A Management's Discussion and Analysis (“MD&A”) section providing analysis of the Library’s overall financial position and results of operations has been included. District-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using full accrual accounting for all of the Library's activities have been provided.

The following table summarizes the differences between fund balance as reported in the prior year financial statements and the beginning net assets as reported in the Statement of Activities.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED**Assets, Liabilities, and Net Assets or Equity, Continued**

Total Prior Year Fund Balances - Governmental Funds	\$ 1,280,496
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial
resources and are not reported in the funds.

Cost of the capital assets	1,767,385
Accumulated depreciation	(1,683,772)

Long-term liabilities are not due and payable in the current period
are not reported in the funds:

Accrued vacation	(183,841)
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Total prior year net assets - Governmental activities	\$ 1,180,268
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Estimates - The process of preparing financial statements in conformity with accounting principals generally accepted in the United States of America requires the use of management estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures.

Capital Assets

Capital assets are defined by the Library as assets with an estimated useful life in excess of one year and cost of \$2,000 or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Building improvements, furniture and fixtures, equipment, and library books, periodicals, etc. are depreciated using the straight-line method over the following useful lives:

Buildings	20 – 50 years
Building improvement	10 – 20 years
Furniture and fixtures	5 – 10 years
Library books, periodicals, etc.	10 years
Equipment	5 – 10 years

Compensated Absences (Vacation and Sick Leave) – It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation and sick pay are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

NOTE 1. NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONCLUDED**Assets, Liabilities, and Net Assets or Equity, Concluded**

Property Taxes – Properties are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year, at which time the Library recognizes the levy. These taxes are due on February 15 with the final collection date of February 28. Starting March 1, they are added to the county tax rolls.

The 2007 taxable valuation of the Library totaled approximately \$1.3 billion, on which taxes levied consisted of .8921 mills for the Library's operations. This resulted in \$1.1 million for operations. The amount is recognized in the respective General Fund financial statements as tax revenue. The levy for 2008 has been estimated at \$1,276,000 and recorded as taxes receivable and deferred revenue.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The annual budget is prepared by the Library Director and adopted by the Library Board of Trustees; subsequent amendments are approved by the Library Board of Trustees. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. There were no encumbrances outstanding at December 31, 2008. During the current year, the budget was amended in a legally permissible manner. The budget statement (statement of revenue, expenditures and changes in fund balance – budget and actual) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of the actual results of operations of the General, Penal Fine Stabilization, and Automation Fund budgets, as adopted by the Library Board, is available at the Library for inspection.

Excess of Expenditures Over Appropriations in Major Budgeted Funds–During the year, the Library incurred expenditures in budgeted funds which were in excess of the amounts appropriated. (*General Fund – Grant Expense exceeded budget by \$171,411.*)

Funds Deficits – The Library has no accumulated fund balance deficits in their reported funds.

NOTE 3. RECEIVABLE AND PAYABLES

Receivables as of December 31, 2008 for the Library's general fund consisted of \$1,276,000 taxes receivable for next years levy.

Payables as of December 31, 2008 for the Library's general fund consisted of \$1,430 of trade payables.

NOTE 4. PRIOR PERIOD ADJUSTMENT

The general fund balance at the beginning of 2008 has been adjusted to correct an error in recording accrued payroll in prior years. Had the error not been made, the change in the fund balance for December 31, 2007 would have decreased by \$36,000.

NOTE 5. DEPOSITS AND INVESTMENTS

Michigan Compiled Law Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The Library is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated four banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$461,773 of bank deposits (certificates of deposit, checking, money market, and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance (\$250,000 for 2008); it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assess the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Library has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of equity securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Legg Mason Equity Fund - Class O	\$ 12,298	Above Average	Morningstar

NOTE 6. CAPITAL ASSETS

Capital asset activity of the Library's governmental activities was as follows:

	Balance at 1/1/2008	Additions	Disposals and Adjustments	Balance at 12/31/08
<u>Depreciable capital assets:</u>				
Vehicles	\$ 29,092	\$ -	\$ -	\$ 29,092
Furniture and fixtures	220,000	2,550	-	222,550
Equipment	18,293	13,086	-	31,379
Books, audiovisual, periodicals	1,500,000	198,020	-	1,698,020
Subtotal	\$ 1,767,385	\$ 213,656	\$ -	\$1,981,041
Less: Accumulated Depreciation	(1,683,772)	\$ (42,538)	\$ -	(1,726,310)
Net depreciable capital assets	\$ 83,613			\$ 254,731
Net capital assets	\$ 83,613			\$ 254,731

Capital assets, including library books, are recorded at cost. Depreciation expense was \$42,538 for the year ended December 31, 2008.

NOTE 7. LONG-TERM DEBT

Long-term debt is comprised of the following at December 31, 2008:

	Interest Rate	Principal Matures	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Other Liabilities:						
Accrued Vacation						
and Sick	n/a	n/a	183,841	(22,592)	161,249	-
			<u>\$ 183,841</u>	<u>\$ (22,592)</u>	<u>\$ 161,249</u>	<u>\$ -</u>

NOTE 8. RISK MANAGEMENT

The Library is exposed to various risks of loss related to property loss, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library obtains general liability insurance to cover those risks at a cost it considers to be economically justifiable.

NOTE 9. DEFINED BENEFIT PENSION PLAN

Plan Description - The Library provides a defined benefit pension plan to its employees through the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer pension plan. MERS provides retirement and disability benefits; these benefits were established in Library policies and may be amended at any time. MERS issues a publicly available financial report that includes financial statements as well as trend information for the system; that report may be obtained by writing to 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy - The obligation to contribute to and maintain MERS for these employees was established by negotiation with the Library's contract employees and required no employee contributions.

Annual Pension Cost - For the year ended December 31, 2008, the Library's annual pension cost of \$111,735 was equal to the required and actual contribution (included an additional \$50,000) that was determined by the actuarial valuation at December 31, 2007, using the entry age normal actuarial cost method. The actuarial assumptions included (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.4 percent per year, with a 4.5 percent inflation increase, and (c) no cost of living adjustments.

Three year trend information is as follows:

	For the year ended December 31:		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Annual pension cost ("APC")	\$ 111,735	\$ 107,178	\$ -
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Schedule of Funding Progress:

Actuarial value of assets	\$ 819,307	\$ 658,726	\$ 520,460
Actuarial Accrued Liability ("AAL")(entry age)	1,101,947	1,008,162	942,692
Unfunded(Overfunded) AAL	282,640	349,436	422,232
Funded ratio	74.35%	65.34%	55.21%
Covered payroll	458,277	417,990	430,611
UAAL as a percentage of covered payroll	61.67%	83.60%	98.05%

NOTE 10. WEBSTER MEMORIAL LIBRARY AGREEMENT

The Webster Memorial Library ("WML") was created from the Webster Memorial Library Trust in 1960 for the purpose of establishing a free public library in the Village of Decatur. In an agreement dated December 15, 1999, the Library is to receive an annual distribution in the amount of 4% of the fair market value of assets held by the WML as of the preceding June 30th, and to be used for the Decatur library operations. The agreement was for 5-years beginning January 1, 1999 and renews automatically for another successive 5-years, unless written notice provided one year in advance. The total amount received for 2008 was \$84,574, included with "Local contributions and other."

NOTE 11. VILLAGE OF LAWTON PUBLIC LIBRARY AGREEMENT

Effective July 1, 1990, the Library entered into an agreement with the Village of Lawton Public Library ("Lawton") to contract with Lawton to provide library services for Porter Township. The agreement calls for the Library to pay 75% of the penal fines and any direct state aid received (based on Porter Township population) and 75% of Porter Township property tax collection to Lawton. The agreement was for 5-years and renews for successive 5-years, so long as both parties continue to receive their respective special millages. The amount paid to Lawton for 2008 was \$68,928 (\$59,978 taxes; \$8,950 penal fines.)

NOTE 12. HARTFORD DISTRICT LIBRARY AGREEMENT

Effective July 1, 1990, the Library entered into an agreement with the Hartford District Library ("Hartford") to contract with Hartford to provide library services for Bangor Township. The agreement calls for the Library to pay 10% of the penal fines and any direct state aid received (based on Bangor Township population) and 10% of Bangor Township property tax collections to Hartford. The agreement was for 5-years and renews for successive 5-years, so long as both parties continue to receive their respective special millages. The amount paid to Hartford for 2008 was \$5,146 (\$4,050 taxes; \$1,096 penal fines.)

NOTE 13. RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE INDIVIDUAL FUND FINANCIAL STATEMENTS

Total fund balances and the net change in fund balances of the Library's individual funds differ from net assets and change in net assets of the Library as a whole reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the current focus of the statement of the individual governmental funds' balance sheets and statements of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balances - Modified Accrual Basis	\$ 1,410,174
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	
Cost of the capital assets	1,981,041
Accumulated depreciation	(1,726,310)
Long-term liabilities are not due and payable in the current period and are not reported in the funds:	
Accrued vacation and sick	(161,249)
Total Net Assets - Full Accrual Basis	<u><u>\$ 1,503,656</u></u>

NOTE 13. RECONCILIATION OF THE LIBRARY AS A WHOLE AND THE INDIVIDUAL FUND FINANCIAL STATEMENTS, CONCLUDED

Net Change in Fund Balances - Modified Accrual Basis	\$129,678
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation.

Depreciation expense	(42,538)
Capital outlay	213,656
Total	<u>\$171,118</u>

Decrease in the accrual for compensated absences are reported as an expenditure in the fund financial statements, but not in the statement of activities

	22,592
Change in Net Assets of Governmental Activities	<u><u>\$323,388</u></u>

NOTE 14. FUND BALANCE DESIGNATION

In a letter dated June 2, 2008 to Covert Township, the Library has agreed to provide \$100,000 toward the construction of a new library branch facility in Covert. The committed amount has been designated in the current year general fund balance. The Library will also furnish and provide support and resources once the construction is complete.

NOTE 15. COVERT TOWNSHIP LIBRARY BUILDING CONTRIBUTIONS AND GRANTS

The Library's Covert Township branch is showing steady growth and the Library has committed to help Covert Township (See Note 14) build a new facility. During the year, the Library received a \$150,000 anonymous donation, as well as, a \$20,000 grant from the Covert Township Community Foundation to be used for construction costs. The Library then made a grant to Covert Township in the amount of \$171,411, the amount of the donations plus interest, to use for anticipated building costs. In addition, the Covert Township Community Foundation has also pledged another \$180,000 to be paid to the Library over the next nine years toward the Covert Township Library branch building.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information
Budgetary Comparison Schedule – General Fund
Year Ended December 31, 2008

	Originally Adopted <u>Budget</u>	Amended <u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Property taxes	\$ 1,038,013	\$ 1,100,503	\$ 1,102,699	\$ 2,196
State sources				
(less \$59,978 to Lawton, \$4,000 to Hartford)	193,000	223,000	230,736	7,736
Penal fines				
(less \$8,950 to Lawton, \$1,096 to Hartford)	193,000	207,000	215,506	8,506
Fees and book fines	25,500	20,000	22,428	2,428
Investment income	28,000	44,000	45,422	1,422
Webster trust contributions	85,000	108,000	84,574	(23,426)
Local contributions and other	36,000	42,000	215,234	173,234
	<u>\$ 1,598,513</u>	<u>\$ 1,744,503</u>	<u>\$ 1,916,599</u>	<u>\$ 172,096</u>
Expenditures:				
Salaries	\$ 803,952	\$ 878,556	\$ 871,352	\$ 7,204
Payroll taxes	62,000	71,000	68,940	2,060
Insurance (health, life, disability, w/c)	102,200	101,500	98,363	3,137
Pension contributions	66,000	113,000	111,735	1,265
Office and library supplies	10,000	10,000	8,733	1,267
Postage, printing, copying	23,000	22,500	19,375	3,125
Gas and oil	4,000	4,000	3,609	391
Janitor supplies	2,500	3,500	2,960	540
Professional fees	16,000	15,000	9,338	5,662
Dues and subscriptions	2,500	2,500	2,299	201
Contractual services	48,500	35,000	31,039	3,961
Utilities	63,000	64,000	58,271	5,729
Telephone	36,000	8,000	6,290	1,710
Travel	9,000	10,500	5,701	4,799
Promotional and reading programs	12,000	13,000	12,543	457
General and vehicle insurance	13,800	12,800	9,770	3,030
Maintenance	49,000	53,000	46,036	6,964
Continuing education	5,000	4,000	1,939	2,061
Capital outlay	40,000	55,000	52,814	2,186
Audiovisual , book, and periodicals	205,000	206,000	198,020	7,980
Internet fees	18,000	30,000	22,772	7,228
Miscellaneous	2,000	2,000	(1,126)	3,126
Grant expense	-	-	171,411	(171,411)
Contingency	5,061	31,647	-	31,647
Total expenditures	<u>\$ 1,598,513</u>	<u>\$ 1,746,503</u>	<u>\$ 1,812,184</u>	<u>\$ (65,681)</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ (2,000)</u>	<u>\$ 104,415</u>	<u>\$ 106,415</u>
Other Financing Sources(Uses)				
Operating transfers in	\$ 9,000	\$ 11,000	\$ 10,302	\$ 698
Operating transfer out	(9,000)	(9,000)	(9,000)	-
Total Other Financing Sources(Uses)	<u>\$ -</u>	<u>\$ 2,000</u>	<u>\$ 1,302</u>	<u>\$ 698</u>
Net Change In Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,717</u>	<u>\$ 107,113</u>
Fund Balance-Beginning of Year	868,784	868,784	868,784	-
Prior Period Adjustment	(36,000)	(36,000)	(36,000)	-
Fund Balance-End of Year	<u><u>\$ 832,784</u></u>	<u><u>\$ 832,784</u></u>	<u><u>\$ 938,501</u></u>	<u><u>\$ 107,113</u></u>

VAN BUREN DISTRICT LIBRARY

Required Supplemental Information
Budgetary Comparison Schedule – Penal Fine
Stabilization Fund
Year Ended December 31, 2008

	Originally Adopted Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Investment income	\$ 7,600	\$ 7,600	\$ 8,019	\$ 419
Local contributions and other	-	-	-	-
Total Revenues	<u>\$ 7,600</u>	<u>\$ 7,600</u>	<u>\$ 8,019</u>	<u>\$ 419</u>
Other Financing Sources(Uses)				
Operating transfer out	\$ (7,600)	\$ (7,600)	\$ (8,019)	419
Net Change In Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 838</u>
Fund Balance-Beginning of Year	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Fund Balance-End of Year	<u><u>\$ 200,000</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 200,000</u></u>	<u><u>\$ 838</u></u>

VAN BUREN DISTRICT LIBRARY

Required Supplemental Information
Budgetary Comparison Schedule – Automation Fund
Year Ended December 31, 2008

	Originally Adopted Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Investment income	\$ 5,000	\$ 5,000	\$ 4,540	\$ (460)
Local contributions and other	-	-	-	-
Total Revenues	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 4,540</u>	<u>\$ (460)</u>
Other Financing Sources(Uses)				
Operating transfer in	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Net Change In Fund Balances	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ 9,540</u>	<u>\$ (460)</u>
Fund Balance-Beginning of Year	<u>126,675</u>	<u>126,675</u>	<u>126,675</u>	<u>-</u>
Fund Balance-End of Year	<u><u>\$ 136,675</u></u>	<u><u>\$ 136,675</u></u>	<u><u>\$ 136,215</u></u>	<u><u>\$ (460)</u></u>

**OTHER SUPPLEMENTAL
INFORMATION**

VAN BUREN DISTRICT LIBRARY
**COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008**

	<u>Special Revenue Funds</u>	<u>Permanent Fund</u>	
	<u>Vehicle Replacement</u>		<u>Total Non Major</u>
	<u>Fund</u>	<u>Endowment</u>	<u>Governmental Funds</u>
Assets			
Cash	\$ 30,696	\$ 92,464	\$ 123,160
Investments	-	12,298	12,298
Total Assets	<u>\$ 30,696</u>	<u>\$ 104,762</u>	<u>\$ 135,458</u>
Fund Balances			
Fund Balances			
Undesignated	\$ 30,696	\$ -	\$ 30,696
Restricted	-	104,762	104,762
Total Fund Balances	<u>\$ 30,696</u>	<u>\$ 104,762</u>	<u>\$ 135,458</u>

VAN BUREN DISTRICT LIBRARY

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008**

	<u>Special Revenue Funds</u>	<u>Permanent Fund</u>	Total Non-Major Governmental Funds
	Vehicle Replacement Fund	Endowment	
Revenues			
Contributions	\$ -	\$ 8,902	\$ 8,902
Investment income	827	2,975	3,802
Total Revenues	<u>\$ 827</u>	<u>\$ 11,877</u>	<u>\$ 12,704</u>
Expenditures			
Library services	-	-	-
Capital outlay	-	-	-
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess of Revenues over Expenditures	<u>\$ 827</u>	<u>\$ 11,877</u>	<u>\$ 12,704</u>
Other Financing Sources (Uses)			
Operating transfers in	\$ 4,000	\$ -	\$ 4,000
Operating transfers out	-	(2,283)	(2,283)
Total Other Financing Sources (Uses)	<u>\$ 4,000</u>	<u>\$ (2,283)</u>	<u>\$ 1,717</u>
Net Change in Fund Balances	<u>\$ 4,827</u>	<u>\$ 9,594</u>	<u>\$ 14,421</u>
Fund Balances - Beginning of year	25,869	95,168	121,037
Fund Balances - End of year	<u><u>\$ 30,696</u></u>	<u><u>\$ 104,762</u></u>	<u><u>\$ 135,458</u></u>



January 30, 2009

To the Library of
Van Buren District Library

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren District Library for the year ended December 31, 2008, and have issued our report thereon dated January 30, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 22, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. In addition:

- 1) Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.
- 2) As part of our audit, we considered the internal control of Van Buren District Library. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.
- 3) We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on January 21, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Van Buren District Library are described in Note 1 to the financial statements.

As described in Note 1 to the financial statements, the Van Buren District Library changed accounting policies related to financial statement presentation by adopting Statement of Governmental Accounting Standards (GASB Statement) No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, in 2008. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the State of Activities.

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements was:

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Management's estimate of the setting depreciable lives is based on both GAAP guidelines and review of assets. We evaluated the key factors and assumptions used to develop the depreciable lives in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no sensitive disclosures affecting the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 30, 2008.

Management Consultations with Other Independent Accountants

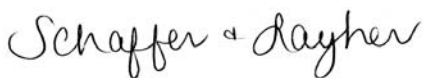
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Library board and management of Van Buren District Library and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Schaffer & Layher".

Schaffer & Layher, PLLC



To the Library Board and Executive Director
of Van Buren District Library

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Van Buren District Library (the “Library”) as of and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Van Buren District Library’s internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Library’s internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity’s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity’s financial statements that is more than inconsequential will not be prevented or detected by the entity’s internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity’s internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Segregation of Incompatible Duties

Management is responsible for establishing effective internal controls to safeguard the Library’s assets, and to prevent or detect misstatements to the financial statements. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Library’s unique circumstances.

As is the case with many library’s of similar size, the Library lacks a sufficient number of accounting personnel in order to ensure a complete segregation of incompatible duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it. Events of recent year have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitation on the effectiveness of a government’s internal control carries with it a greater risk of fraud and abuse.

This condition is a result of the Library’s limited resources, and the small size of its accounting staff.

David Schaffer, CPA
Michael Layher, CPA
Founding Partners:
Morris McMurray, CPA
Raymond Marks, CPA
Jeff Edmunds, CPA

Preparation of Financial Statements in Accordance with GAAP

All Michigan Library's are required to prepare financial statements in accordance with generally accepted accounting principles ("GAAP"). This is a responsibility of the Library's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e. maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e. external financial reporting.)

As is the case with many smaller and medium sized entities, the Library has historically relied on its independent external auditors to assist in the preparation of various year-end accruals and other adjustments, as well as the drafting of the financial statements and footnotes of its external financial reporting process.

This condition was caused by the Library's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the library to perform the task internally.

Other Matters

In addition, we noted other matters involving the internal control and its operation that we would like to report to you.

Develop Capitalization Policy

With the adoption of G.A.S.B. 34, capital assets are now presented on the government-wide financial statements and we recommend the Library adopt a fixed asset capitalization policy. We have attached a sample policy for guidance.

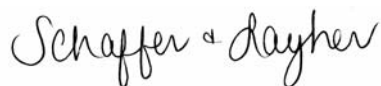
Investment Policy and Credit Risk

During the course of our audit it was noted that the Library has not updated its investment policy to address the reporting requirements of GASB Statement No. 40. GASB Statement No. 40 was designed to inform financial statement users about deposit and investment risks that could affect the Library's ability to provide services and meet its obligations as they become due.

We recommend the Board update their investment policy to address custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Library's financial statements by GASB Statement No. 40. Please find an attached sample.

In addition, the Library should review all their bank holdings and ensure they have spread the credit risk out adequately. Within the current banking environment, it would make sense for the Library to minimize this risk and ensure the assets are protected in the event of a possible bank failure.

This communication is intended solely for the information and use of management, the Library Board, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



Schaffer & Layher, PLLC

St. Joseph, MI

January 30, 2009

Sample Fixed Asset Capitalization Policy

TOWNSHIP OF _____ FIXED ASSET CAPITALIZATION POLICY

Adopted: _____ 20__

The Township of _____ will regard fixed assets as capitalized when all of the following criteria are met:

- (1) Assets purchased, built or leased have useful lives of one year or more.
- (2) The cost of the asset (including installation) is \$5,000 or more (*insert figure appropriate to township*). Multiple assets whose cost is less than \$5,000 but the aggregate requestor total is \$5,000 or more are capitalized.
- (3) The cost of repairing or renovating the asset is \$5,000 or more and prolongs the life of the asset.

The township will regard the purchase software programs as fixed assets subject to the above capitalization policy, and will amortize over an estimated useful life of 3 years. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.

Other Considerations:

- (1) REPAIR is an expenditure that keeps the property in ordinary efficient operating condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department and fund.
- (2) IMPROVEMENTS are expenditures for additions, alterations and renovations that appreciably prolong the life of the asset, materially increase its value or adapt it to a different use. Improvements of the nature are capitalized.

Examples of Repairs vs. Improvements

Repairs = Expenditures

All items—life less than one year
All items under \$5,000
Property maintenance, wall repair
Replacement of machine parts to keep machine in normal operating condition
Property restoration (rebuilding) for normal operations
Existing building repairs
Replacement of small sections of wiring, pipes or light fixtures
Patching walls, minor repair of floors, painting, etc.
Patching driveways
Cleaning drapery, carpet, furniture

Improvements = Capitalized Assets

Life of more than one year
All items \$5,000 or more
Property rebuilding
Replacement of motor and parts that prolong the useful life
Property restoration for something different or better
Building regulation conformity
Major replacement of wiring, lighting, pipes or sewer
Installation of floor, wall, roof, wall-covering, etc.
New driveway or major repair
New drapery, carpets, furniture

Depreciation Method—Straight Line over the following useful lives:

Buildings	40-60 years
Building Improvement	15-30 years
Water and Sewer Lines	50-75 years
Roads	10-30 years, see State Recommendations attached
Infrastructure	See State Recommendations attached
Vehicles	3-5 years
Office Equipment	3-5 years
Computer Equipment	3-5 years

(Sample prepared by David Williamson, CPA, Post, Smythe, Lutz & Ziel, LLP, and MTA Staff. Used with permission.)

Investment and Depository Resolutions

1. Township Investment and Depository Designation Resolution Comprehensive Version

The following sample resolution is intended for townships that prefer a comprehensive investment policy allowing for a broad range of investment instruments and substantial delegation of discretion and responsibility to the township treasurer.

Township boards should not adopt any sample investment resolution, including those provided by MTA, without careful consideration of investment public policy options and potential consequences. The provisions provided here are intended to illustrate the subjects areas that an investment and depository designation resolution might address, as well as sample resolution language. MTA does not intend to indicate that the provisions provided are appropriate for all townships. In consultation with the township treasurer, the board should carefully develop its goals for safety, diversification, liquidity and return on investment, as well as the degree of oversight the board believes it should exercise over investments. The policy adopted by a township board should reflect its specific investment goals and governance style.

In drafting a township policy, please consult your local attorney or certified public accountant.

WHEREAS, the Board of _____ Township, _____ County, in exercising its fiduciary responsibilities desires to safeguard the funds of the Township that may be invested from time to time, and

WHEREAS, Public Act 77 of 1989, [MCL 41.77](#) requires that the Township Board designate the banks or depositories for the money belonging to the Township, including the time for which the deposits shall be made and all details for carrying into effect the authority given in this act, and

WHEREAS, Public Act 196 of 1997, [MCL 129.91](#), *et seq.*, requires township boards, in consultation with the Township Treasurer, to adopt an investment policy, now

THEREFORE BE IT RESOLVED, That this policy is applicable to all public funds belonging to _____ Township and in the custody of the Township Treasurer.

BE IT FURTHER RESOLVED, That the _____ Township Treasurer is authorized to manage funds belonging to the township, including depositing funds in approved financial institutions and administration of investments in conformance with MCL 41.77 and policies as set forth in this resolution.

BE IT FURTHER RESOLVED, That the Board approves the following financial

institutions as depositories of township funds: *(insert list of approved financial institutions)*.

BE IT FURTHER RESOLVED, That the Treasurer shall recommend financial institutions for approval for the safekeeping of Township funds based on an evaluation of the performance and solvency of the institution, as well as past performance in exercising due care and prudence in managing the custody of Township funds held in trust, if applicable. The Treasurer shall periodically evaluate approved and potential financial depositories and shall make recommendations as to appropriate changes in approved depositories when warranted.

In determining safekeeping and custody qualifications, financial institutions document a minimum capital requirement of at least \$10,000,000 and at least five years of operation. All financial institutions and brokers/dealers shall be pre-qualified by supplying the following:

- Audited financial statements
- Proof of NASD certification or FDIC insurance
- Proof of state registration
- Certification of having read, understood and agreement to comply with the _____ Township investment policy.

The Treasurer shall annually examine the financial condition and registrations of qualified financial institutions and brokers/dealers by obtaining annual updates of the information listed above.

BE IT FURTHER RESOLVED, That when the Treasurer's analysis of the Township's cash flow requirements reveal that surplus funds will not be required to meet current expenditures for a specific length of time, the Treasurer is authorized to make prudent investments for a length of time that will provide a reasonable return on investment yet ensure that such funds will be available when needed and will not be exposed to undue risk. The Treasurer is authorized to invest township funds in the following instruments: *(select from among the list of lawful investments authorized under MCL 129.91)*

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is eligible to be a depository of funds belonging to the state under a law or rule of this state or the United States.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Repurchase agreements consisting of instruments listed in subdivision (a).
- (e) Bankers' acceptances of United States banks.
- (f) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the investment company act of 1940, title I of chapter

686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:

- (i) The purchase of securities on a when-issued or delayed delivery basis.
- (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
- (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for temporary or emergency purposes.
- (h) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, Public Act 7 of 1967, (*Ex Sess*), MCL 124.501, *et seq.*
- (i) Investment pools organized under the Surplus Funds Investment Pool Act, Public Act 367 of 1982, MCL 129.111, *et seq.*
- (j) The investment pools organized under the Local Government Investment Pool Act, Public Act 121 of 1985, MCL 129.141, *et seq.*

**(if the policy authorizes investments in mutual funds, include the following):* Investments in mutual funds (*select either a or b*) (a) shall be limited to securities whose intention is to maintain a net asset value of \$1.00 per share. *or* (b) shall include securities whose net asset value per share may fluctuate on a periodic basis.

The following paragraph is optional. A provision similar to the following may be desired by the township board if it wishes to require the Treasurer to obtain specific prior approval from the Township Board of certain investment instruments prior to making the investment.

BE IT FURTHER RESOLVED, the Township Board may, at its discretion and upon the recommendation of the Township Treasurer, authorize the Township Treasurer to invest in the following investment instruments. However, the Township Treasurer is required to obtain approval from the Township Board prior to acquiring or increasing the amount of Township funds in the following investment instruments:*(list lawful investment instruments that require prior board approval prior to the initial purchase and or to increase the amount of Township funds invested in such instruments)*

BE IT FURTHER RESOLVED, That the objectives of this policy are to:

- maintain safety of principal of township funds;
- maintain a diversified investment portfolio;
- maintain adequate liquidity; and
- achieve a market rate of return on relatively safe investment instruments.

To accomplish these objectives, decisions and actions involving the Township's investment portfolio shall meet the following criteria:

Safety: Safety of principal is the foremost objective of _____ Township's investment

practices. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall investment portfolio. The Treasurer shall minimize credit risk by investing only in the safer types of securities, pre-qualifying financial institutions, brokers/dealers, intermediaries, and advisers with whom the township will do business; and diversifying the investment portfolio so that the impact on the investment portfolio resulting from losses on individual securities will be minimized.

Diversification: The investments shall be diversified by avoiding over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities). Investments shall have varying maturities. Investment instrument selection shall avoid high credit risks and shall include use of readily available funds such as local government investment pools or mutual funds to maintain sufficient liquidity.

Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. Securities shall have maturity dates concurrent with cash flow needs. Securities with active secondary or resale markets, as well as money market mutual funds offering same-day liquidity for short-term funds shall also be used to ensure liquidity. The Treasurer shall minimize interest rate risk by avoiding the need to sell securities prior to maturity and investing operating funds primarily in short term-securities, money market mutual funds or similar public investment pools. Securities shall not normally be sold prior to maturity except to minimize loss of principal; to improve the quality, yield or target duration in the portfolio; or to meet liquidity needs.

Return on Investment: The investment portfolio shall be designed to attain a market average rate of return during budgetary and economic cycles while taking into account investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to safety and liquidity objectives. The core of investments is limited to relatively low risk securities, and a fair rate of return relative to risk is assumed.

BE IT FURTHER RESOLVED, That the Treasurer shall make such investments and only such investments as a prudent person would make in dealing with the property of another, having in view the preservation of the principal and the amount and regularity of the income to be derived.

The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

BE IT FURTHER RESOLVED, The Treasurer may elect to have certificates and other evidence of investments held by a financial institution, provided that the financial institution presents to the Township Treasurer sufficient documentation and acknowledgment of the investment instruments held on behalf of the Township.

BE IT FURTHER RESOLVED, That the Treasurer shall refrain from personal business

activity that could conflict with the proper execution and management of township investments, or that could impair the Treasurer's ability to make impartial investment decisions.

BE IT FURTHER RESOLVED, That the Treasurer shall provide on a **quarterly** basis a written report to the Township Board concerning the investment of Township funds. **(PA 213 of 2007 updated)**

BE IT FURTHER RESOLVED, That the Township shall comply with all applicable statutory standards for investment of public funds as they now exist or as they may be subsequently amended. Any provision of this resolution that conflicts with applicable statutory requirements and standards is void.

Updated April 1, 1998

Adapted from GFOA Sample Investment Policy, revised 8/97, copyright 1997 Government Finance Officers Association. Used with permission.

2. Township Investment and Depository Designation Resolution Simplified Version

The following sample resolution is intended for townships that prefer a very basic investment policy consisting primarily of certificates of deposit. The policies provide minimal delegation of discretion and responsibility to the township treasurer.

Township boards should not adopt any sample investment resolution, including those provided by MTA, without careful consideration of investment public policy options and potential consequences. The provisions provided here are intended to illustrate the basic subjects areas that an investment and depository designation resolution might address, as well as sample resolution language. MTA does not intend to indicate that the provisions provided are appropriate for all townships. In consultation with the township treasurer, the board should carefully develop its goals for safety, diversification, liquidity and return on investment, as well as the degree of oversight the board believes it should exercise over investments. The policy adopted by a township board should reflect its specific investment goals and governance style.

In drafting a township policy, please consult your local attorney or certified public accountant.

WHEREAS, the Board of _____ Township, _____ County, in exercising its fiduciary responsibilities desires to safeguard the funds of the Township that may be invested from time to time, and

WHEREAS, Public Act 77 of 1989, MCL 41.77, requires that the Township Board designate the banks or depositories for the money belonging to the Township, including the time for which the deposits shall be made and all details for carrying into effect the authority given in this act, and

WHEREAS, Public Act 196 of 1997, MCL 129.91, *et seq.*, requires Townships Boards, in consultation with the Township Treasurer, to adopt an investment policy, now

THEREFORE BE IT RESOLVED, That this policy is applicable to all public funds belonging to _____ Township and in the custody of the Township Treasurer.

BE IT RESOLVED, That the Board approves the following financial institutions as depositories of township funds: (*insert list of approved financial institutions*).

BE IT FURTHER RESOLVED, That the Treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meeting all criteria as a depository of public funds contained in state law. The standard of prudence to be used shall be the "fiduciary" standard and shall be applied in context of managing an overall portfolio.

BE IT FURTHER RESOLVED, That the prior approval of the Township Board, shall be required for the Treasurer to invest in any other lawful investment instruments. The Township Board's standard of prudence shall be the "fiduciary" standard, which shall be applied in context of managing an overall portfolio. The Township Board may authorize the Treasurer to invest in the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (b) Repurchase agreements consisting of instruments listed in subdivision (a).
- (c) Bankers' acceptances of United States banks.
- (d) Obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (e) Mutual funds registered under the Investment Company Act of 1940, Title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 80a-3 and 80a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. However, a mutual fund is not disqualified as a permissible investment solely by reason of either of the following:
 - (i) The purchase of securities on a when-issued or delayed delivery basis.
 - (ii) The ability to lend portfolio securities as long as the mutual fund receives collateral at all times equal to at least 100% of the value of the securities loaned.
 - (iii) The limited ability to borrow and pledge a like portion of the portfolio's assets for

temporary or emergency purposes.

(f) Obligations described in subdivisions (a) through (g) if purchased through an interlocal agreement under the Urban Cooperation Act of 1967, Public Act 7 of 1967 (*Ex Sess*), MCL 124.501, *et seq.*

(g) Investment pools organized under the Surplus Funds Investment Pool Act, Public Act 367 of 1982, MCL 129.111, *et seq.*

(h) The investment pools organized under the Local Government Investment Pool Act, Public Act 121 of 1985, MCL 129.141, *et seq.*

BE IT FURTHER RESOLVED, That decisions and actions involving the Township's investment portfolio shall be meet the following criteria:

Safety: Safety of principle is the foremost objective of _____Township's investment practices.

Diversification: The investments shall be diversified by avoiding over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities and insured certificates of deposits).

Liquidity: The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.

Return on Investment: Return of investment is of secondary importance compared to safety and liquidity objectives. Investments shall be selected to obtain a market average rate of return. The core of investments is limited to relatively low risk securities.

BE IT FURTHER RESOLVED, That the Treasurer may elect to have certificates and other evidence of investments held by a financial institution, provided that the financial institution presents to the Township Treasurer **on a quarterly basis**, sufficient documentation and acknowledgment of the investment instruments held on behalf of the Township. **(PA 213 of 2007 updated)**

BE IT FURTHER RESOLVED, That the Township will comply with all applicable statutes related to public fund investments. Any provisions of this resolution in conflict with applicable statutes is void.

Updated April, 1998

updated January 2007 (as noted in bold text)

This page last updated on 11/4/2008.